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Shell Offshore Inc. me of Shelf Oil Company

HARD CUPY TO FOLLOW

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Exploration and Production Shelf Division Regulatory Affairs Department

August 21, 1997

Department of the Interior Minerals Management Service ATTN: Rules Processing Team 381 Elden Street (Mail Stop 4700) Herndon, VA 20170-4817

Gentlemen:

SUBJECT: 30 CFR PART 253

OIL SPILL FINANCIAL RESPONSIBILITY FOR

OFFSHORE FACILITIES PROPOSED RULE

Shell Offshore Inc. (SOI) is pleased to submit comments on the proposed rule for oil spill financial responsibility for offshore facilities. These comments are also submitted on behalf of Shell Oil Company (Shell) and its other subsidiaries which operate in offshore waters. Shell and its subsidiaries are major producers and pipeline transporters of oil and gas in areas address by this notice. Shell has a distinguished record of safety and environmental leadership, achievement and action regarding its operations in offshore waters and takes special interest in this proposed rule. In addition, we support the comments submitted by the American Petroleum Institute.

The guarantor issue in the proposed rule is not clear. Section 253.30 (a) allows one guarantor. Section 253.32 allows pools of guarantors as an alternative method to demonstrate OSFR. Most statutes allow multiple mechanisms to provide financial requirements. MMS should allow more that one guarantor as long as the guarantors meet the self insurance test and one guarantor is designated as the primary guarantor.

Several Federal Statutes e.g. (Resource Conservation and Recovery Act - Subtitle C and I) that require the demonstration of financial assurance allow the use of bond ratings and net worth equal to a multiple of the amount of financial assurance required. As an alternative to the net worth/net assets analyses, MMS should consider an option such as the following:

An owner or operator must have:

- (A) A current rating for his most recent bond issuance of AAA, AA, or BBB as issued by Standard and Poor's or Aaa, Aa, A, or Baa as issued by Moody's; and
- (B) Tangible net worth at least six times the amount of OSFR required; and
- (C) Assets located in the United States amounting to at least 90 percent of total assets or at least six times the OSFR required.

NOTE: UNDER THIS PROPOSAL MAXIMUM TANGIBLE NET WORTH/ASSETS IN THE U.S. WOULD BE \$900,000,000 (6 x \$150,000,000).

The applicant's ability to demonstrate OSFR should be the focus of the proposed rule, not the individual leases, permits or RUE (activities). An applicant should not have to complete and file forms for additions/deletions or changes to activities if the full \$150 million has been demonstrated for OSFR. Filing forms for these daily activities would create a major operating and paperwork burden. MMS's current bonding program (30 CFR 256.58) works well. A significant reduction in the administration of the OSFR would occur if MMS could mirror the current MMS's Operator bonding requirements - one bond covers all leases for an operator. Using the Operator bonding concept (including the four MMS areas as one) would assure MMS that the intent of the proposed rule is achieved.

Shell appreciates the opportunity to comment on this proposed rule. Should there be any questions on this matter or you would like to discuss them further, please contact me at (504) 588-6982.

Very truly yours,

P. K. Velez

Manager Regulatory Affairs

MJM